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THE WHITE HOUSE
WASHINGTON

URGENT

81-220216

CABINET ADMINISTRATION STAFFING MEMORANDUM

2 p.m., today,
October 14, 1981DATE: October 14, 1981 NUMBER: 018966CA

DUE BY: _____

SUBJECT: Cancun Speech (Draft #5)

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	Baker	<input type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Allen	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Anderson	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>	Garrick	<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>	Gray	<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	Beal	<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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Transportation	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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Education	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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Remarks: Attached is the President's Cancun Speech for your final review.

Please provide edits to my office by 2:00 p.m., today. A final revision must go to the President for his review at 3:30 p.m.

Many thanks.

URGENT

TO: DIRECTOR CASEY

Attn: _____

Comments p. 8 and p. 1^{STAT}

RETURN TO:

Craig L. Fuller
Deputy Assistant to the President
Director,
Office of Cabinet Administration
456-2823

phoned to Karen Hart,
AA to Craig Fuller 1428

NSC review completed.

10/14/81

JBC

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.(Elliott)

October 14, 1981

SPEECH: WORLD DEVELOPMENT
PHILADELPHIA, PENNSYLVANIA
OCTOBER 15, 1981

I am grateful for this opportunity to appear before your distinguished group, and to share with you our Administration's views on an important, upcoming event. As you know, I will shortly be travelling to Cancun, Mexico to participate in a summit that will bring together leaders of two-thirds of the world's population.

The subject of our talks will be the relationships among developed and developing nations, and specifically, I hope, how we can work together to strengthen the world economy and promote greater economic growth and prosperity for all our peoples.

U.S. foreign policy proceeds from two important premises: The need to revitalize the U.S. and world economy as a basis for the social and economic progress of our own and other nations, and the need to provide adequate defenses to remain strong and safe in a precarious period of world history. In this context, U.S. relations with developing countries play a critical role. These countries are important actors in the world economy and in the quest for world peace.

The United States understands and is sensitive to the problems and the diversity of developing countries. Each is unique in its blend of cultural, historical, economic and political characteristics. But all aspire to build a brighter future and they can count on our strong support. The age-old dream to create, achieve, improve and excel does not belong to America, it belongs to mankind.

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We will go to Cancun ready and willing to listen and to learn. We will also take with us a sound and innovative program of action -- designed to help spark a cooperative strategy for global growth to benefit both developed and developing nations. Such a strategy rests upon three solid pillars:

First, an understanding of the real meaning of development, based on our own historical experience and that of other successful countries. Second, a demonstrated record of achievement in promoting growth and development throughout the world, both through our bilateral economic relations, and through cooperation with our partners in the specialized international institutions, such as the World Bank and the International Monetary Fund. And third, practical proposals for cooperative actions in trade, investment, energy, agriculture and foreign assistance that can contribute to a new era of prosperity and abundance exceeding anything we may dream possible today.

We very much want a positive development dialogue, but sometimes this dialogue becomes oversimplified and unproductive. For example, some people equate development with commerce which they unfairly characterize as simple lust for material wealth. Others mistake compassion for development, and claim massive transfers of wealth somehow, miraculously, will produce new well-being. Still others confuse development with collectivism seeing it as a means to fulfill social,

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religious or national goals, no matter what the cost to individuals or historical traditions.

All of these definitions miss the real essence of development. In its most fundamental sense, it has to do with the meaning, aspirations and worth of every individual. In its ultimate form, development is human fulfillment -- an ability by all men and women to realize freely their full potential, to go as far as their God-given talents will take them.

You know we Americans can speak from experience on this subject, because no country is less developed today than we were in the past. When the original settlers arrived here, they faced a wilderness where poverty was their daily lot, and danger and starvation their close companions.

But through all the dangers, the disappointments and the setbacks, they kept their faith. They never stopped believing that with the freedom to try and try again, they could make tomorrow a better day. They were right.

In 1630, John Winthrop predicted that we would be a city upon a hill with the eyes of all people upon us.

By 1836, Alexis de Tocqueville was calling America "a land of wonders," where every change seemed like an improvement, and what man had not yet done was simply what he had not yet attempted to do.

And in 1937, Walter Lippmann could draw the lesson that America, for the first time in history, gave men "a way of

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producing wealth in which the good fortune of others multiplied their own."

Free people build free markets that ignite dynamic development for everyone. That is key, but that's not all. Something else helped us create these unparalleled opportunities for growth and personal fulfillment. A strong sense of cooperation, free association among individuals, rooted in institutions of family, church, school, press and voluntary groups of every kind. Government too played an important role. It helped eradicate slavery and other forms of discrimination. It opened up the frontier through actions like the Homestead Act and rural electrification. And it helped provide a sense of security for those who, through no fault of their own, could not support themselves.

Government and private enterprise complement one another. They have, can and must continue to co-exist and cooperate. But the questions we must always ask are these: Is Government working to liberate and empower the individual? Is it creating incentives for people to produce, save, invest and profit from legitimate risks and honest toil? Is it encouraging all of us to reach for the stars? Or, does it seek to compel, command and coerce people into submission and dependence?

Ask these questions, because no matter where you look today, you will see that development depends upon economic freedom. A mere handful of industrialized countries that have historically coupled personal freedom with economic

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reward now produce more than one-half the wealth of the world.

The developing countries now growing the fastest in Asia, Africa and Latin America are the very ones providing more economic freedom for their people -- freedom to choose, to own property, to work at a job of their choice, and to invest in a dream for the future.

Perhaps the best proof that development and economic freedom go hand-in-hand is in a country which denies freedom to its people -- the Soviet Union. For the record, the Soviets will not attend the conference at Cancun. They simply wash their hands of any responsibility, insisting all the economic problems of the world result from capitalism, and all the solutions lie with socialism.

But we know the real reason they're not coming -- they have nothing to offer. In fact, we have just one question for them: Who's feeding whom? I can hardly remember a year when Soviet harvests have not been victimized by "bad weather." And I've seen a lot of harvest seasons, as the press keeps reminding me. They've had quite a long losing streak for a government which still insists the tides of history are running in its favor.

The Soviets, of course, can rely on farmers from America and other nations to keep their people fed. But ironically they do have a reliable source of nourishment right in their own country -- the 3 percent of all cultivated land that farmers in the Soviet Union are allowed to farm on their

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own. Those who farm that 3 percent produce roughly 30 percent of the meat, milk and vegetables in Russia, 33 percent of the eggs and 61 percent of the potatoes!

That's why this is not a question of East versus West, of the United States versus the Soviet Union. It's a question of freedom versus compulsion, of what works versus what doesn't work, of sense versus nonsense.

And that's why we say: trust the people, trust their intelligence, and trust their faith -- because putting people first is the secret of economic success everywhere in the world.

Now I want to talk about the second part of our message at Cancun -- our record and that of the international economic system itself in helping developing countries generate new growth and prosperity. Here again it's time to speak out with candor. To listen to some shrill voices, you'd think our policies were as stingy as your Philadelphia Eagles' defense. There is a propaganda campaign in wide circulation that would have the world believe capitalist U.S. is the cause of world hunger and poverty. Well let's lay that to rest.

Each year the United States provides more food assistance to developing nations than all other nations combined. Last year we extended almost twice as much official development assistance as any other nation.

The spirit of voluntary giving is also a wonderful tradition that flows like a deep and mighty river through

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the history of our Nation. When Americans see others suffering in poverty and starvation, they don't wait for Government to tell them what to do. They dig down and give and get involved, and they save lives. And that's one reason we know America is such a special country.

All that is just one side of the coin. The other, only rarely acknowledged, is the enormous contribution we make through the open, growing markets of our own economy. The United States absorbs approximately one-half of all manufactured goods that non-OPEC developing countries export to the industrialized world, even though our market is only one-third of the total industrialized world market. In the last two years alone, these same developing countries earned more from exports to the United States than the entire developing world has received from the World Bank in the last 36 years.

The barriers to trade in our markets are among the lowest in the world. The United States maintains few restrictions and our customs procedures are very predictable. In 1980, 51 percent of our imports from developing countries entered duty free.

American capital markets are also more accessible to the developing countries than capital markets anywhere else in the world.

From all this two conclusions should be clear: Far from lagging behind and refusing to do our part, the United States is leading the way in helping to better the lives of citizens in developing countries. And the way we can do

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that job best, the way we can provide the most opportunity for even the poorest of nations, is to follow through with our own economic recovery program to ensure strong, sustained noninflationary growth.

That's just what we're determined to do. Every one percent reduction in our interest rates due to lower inflation ^{could} improve the balance of payments of developing countries by \$1 billion. By getting our own economic house in order, we win, they win, we all win.

about \$2

Now just as there is superficial talk about the meaning of development, and our own development record, there is also too much loose talk about the international system.

Some argue that the system has failed; others that it is unrepresentative and unfair; still others say it is static and unchanging. On the other side, a few insist it is so sound it needs no improvement.

We need a better understanding than that. As I recalled recently before the annual meeting of the World Bank and the IMF, the post-war international economic system was created on the belief that "the key to national development and human progress is individual freedom -- both political and economic." This system provided only generalized rules in order to maintain maximum flexibility and opportunity for individual enterprise and an open international trading and financial system.

The GATT, World Bank and International Monetary Fund represent free associations of independent countries who

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accept both the freedom and discipline of a competitive economic system. Let's look at the record of international growth and development under their auspices:

-- From 1950 to 1980, GNP per capita in 60 middle-income countries increased twice as fast as in the industrial countries when real purchasing power is taken into account.

-- From 1951 to 1979, industry and manufacturing in developing countries also expanded at a faster annual rate than their counterparts in the industrial countries.

-- Since 1960, export volume for the developing countries, excluding OPEC, grew between six and seven percent a year. Growth was particularly strong in manufactured exports, and even some low-income oil importers participated in this trend.

-- And, concessional assistance grew by 50 percent in real terms during the 1970's.

By any standard, this is a remarkable record. It is not a basis for complacency but for pride. Pride in the efforts of those countries that did most to utilize effectively the opportunities of the system. And pride in the system itself for being sufficiently flexible to ensure that the benefits of international commerce flow increasingly to all countries.

Progress is also evident in the evolution of the international institutions themselves. Today approximately two-thirds of the members of GATT are developing countries, whereas only one-half were developing countries when it was

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created. Also, the resources of both the World Bank and the IMF have increased dramatically, as has the participation of developing country members.

Certainly the record of the international system is not perfect, but people flirt with fantasy when they suggest it is a failure and unfair. We know that much must still be done to help low-income countries develop domestic markets and strengthen their exports. But the way to do that is not to weaken the system that has served us so well, but to continue working together to make it better.

This brings me to the third and final part of our message in Cancun -- a program for action. This summit offers the leadership of the world an opportunity to chart a strategic course for a new era of international economic growth and development. To do this, all countries, developed and developing alike, must demonstrate the political will to address the real issues, confront the obstacles and seize the opportunities for development wherever they exist.

I think we agree on where we want to go. To cite that old proverb: Give a hungry man a fish and he'll be hungry tomorrow; teach him how to fish and he'll never be hungry again.

The principles that guide our international policies can lead to the cooperative strategy for global growth we seek. The experience of our own country and others confirms the importance of five strategic principles:

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First, stimulating international trade by opening up markets, both within individual countries and among countries;

Second, tailoring particular development strategies to the specific needs and potential of individual countries and regions;

Third, guiding assistance toward the development of self-sustaining productive capacities, particularly in food and energy;

Fourth, improving the climate in many of these countries for private investment and the transfer of technology that comes with such investment; and

Fifth, creating a political atmosphere in which practical solutions can move forward -- rather than founder on a reef of unproductive rhetoric or misguided policies that restrain and interfere with the international marketplace.

Developing countries cannot be lumped together under that title as if their problems were identical. They are diverse with distinct resource endowments, cultures, languages and national traditions. The international system is comprised of independent, sovereign nations, whose separate existence testifies to their unique qualities and aspirations.

What we will seek to do at Cancun, and elsewhere in subsequent meetings, is examine cooperatively:

-- The roadblocks which developing country policies pose to development, and how they can best be removed;

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-- The obstacles which developed country policies put in the way of development and how they, in turn, can best be removed, and

-- The way developed and developing countries together can realize their potential and improve the world economy to promote a higher level of growth and development.

Our program of action includes specific, practical steps that implement the principles I have outlined.

First, stimulating international trade by opening up markets is absolutely essential. Last year, non-OPEC developing nations by selling their products in American markets earned \$63 billion. This is more than twice the amount of total development assistance provided to all developing countries in that same year. It's time for all of us to live up to our principles by concrete actions to open markets and liberalize trade.

The most meaningful action we could take to promote trade with developing nations in the early 1980's is to strengthen the GATT.

It is through a shared, reciprocal effort within GATT that further liberalization of industrial nations' trade regimes is most likely to be achieved. This will benefit developing countries more than any other single step.

The United States will work for a successful GATT Ministerial meeting in 1982, and will launch an extensive round of consultations with all countries, including developing countries, to prepare for this meeting. We will join with

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developing countries in working out an effective safeguards code that reflects our mutual concerns and interests. In addition, we will continue to support the generalized system of preferences and will take the lead in urging other developed countries to match us in expanding developing nations' access to markets.

Trade's contribution to development can be magnified by aligning trade opportunities more closely with private investment, development assistance and technology sharing. At Cancun, we will make it clear that we are ready to cooperate with other nations in putting in place this kind of integrated, complementary effort.

Actually, we are already doing so, which brings me to the second part of our program -- tailoring particular development strategies to the specific needs and potential of individual countries and regions. In our own hemisphere, the United States has joined together with Mexico, Venezuela, and Canada to begin developing flexible, imaginative, and cooperative programs linking trade, investment, finance, foreign assistance and private sector activities to help the nations in the Caribbean help themselves.

We met initially in Nassau in July. Consultations then took place with the Central American countries and Panama in Costa Rica, and with the Caribbean countries in Santo Domingo. By year end, we expect to complete consultation and move forward with efforts that are tailored to specific situations in individual countries. We believe this approach may

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provide a valuable model for possible application in other regions.

Third, guiding our assistance toward the development of self-sustaining productive activities -- particularly in food and energy.

Increasing food production in developing countries is critically important -- for some, literally a matter of life or death. It is also an indispensable basis for overall development. The United States has always made food and agriculture an important emphasis of its economic assistance programs. We have provided massive amounts of food to fight starvation, but we have also undertaken successful agricultural research, welcomed thousands of foreign students for instruction and training at our finest institutes, and helped make discoveries of the high-yielding varieties of the Green Revolution available throughout the world.

Looking to the future, our emphasis will be on the importance of market-oriented policies. We believe this approach will create rising agricultural productivity, self-sustaining capacity for research and innovation, and stimulation of job-creating entrepreneurship in rural areas.

Specifically, we will encourage policies which reduce or eliminate subsidies to food consumers, and provide adequate and stable price incentives to their agricultural sectors to increase production. We will emphasize education and innovative joint research and development activities through U.S. and developing countries' institutions. We will also

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encourage rural credit, improved storage and distribution facilities, and roads to facilitate marketing.

That's alot. But we need to do more.

The focus will be on raising the productivity of the small farmer, building the capacity to pursue agricultural research and stimulating productive enterprises that generate employment and purchasing power.

We will emphasize:

- New methods of plant improvement to develop crops that tolerate adverse soils and climatic conditions, insects, and diseases;
- Research to increase the efficiency of using irrigation water;
- Systems for the production of several crops per year in the humid tropics; and
- Methods of human and animal disease control to remove such serious problems as the tsetse fly in Africa, which bars agricultural production on vast areas of potentially productive lands.

Addressing the energy problems of developing countries is also vital to their sustained economic growth. Their^{net} oil bill in 1980 was \$46 billion, up from only \$4 billion in 1973. This puts tremendous pressure on their balance of payments and threatens development.

The United States will increase funding for energy-related activities in the years ahead, with emphasis on a mix of public and private efforts and the mobilization of

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developing country resources. Our energy bilateral aid program must stress technical assistance rather than resource transfers. We will support energy lending by multilateral institutions provided the projects are economically viable and they expand developing country energy production through greater private investment.

We will also support selected elements of the programs of action of the U.N. Conference on New and Renewable Resources of Energy. They include intensified energy training programs for technicians from developing countries and efforts to help developing countries assess and more efficiently utilize their resources.

Fourth, improving the climate for private capital flows particularly private investment. Investment is the lifeblood of development. Private capital flows -- commercial lending and private investment -- now account for almost 70 percent of total financial flows to developing countries. It is impractical, not to mention foolish, to attack these flows for ideological reasons.

We call upon all our partners in finance and development -- business, banks and developing countries -- to accelerate their cooperative efforts.

We seek to increase co-financing and other private financing with the multilateral development banks. We want to enhance the International Finance Corporation activities -- the IFC fosters private sector debt and equity financing of investments in the developing countries. Its program is

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increasing in both size and diversity and the bulk of IFC projects are privately financed in the developing countries from domestic and external sources.

We will explore further development of multilateral investment insurance guarantees, arranged through an "International Investment Insurance Agency" and building on the successful bilateral experience with OPIC.

We will attempt to promote a general agreement on investment allowing countries to harmonize investment policies and to negotiate mutually beneficial improvements in the investment climate.

Finally, we will make an effort to identify developed and developing country tax measures which might increase market-oriented investment from both external and domestic sources in the developing countries.

Fifth, the dialogue we all want already exists. The choice before us is how to organize and conduct it. Do we persist in contentious rhetoric, or do we undertake practical tasks in a spirit of cooperation and mutual political will? I think our country has signalled its answer to that question.

We go to Cancun with a record of success and contributions second to none . . . determined to build on our past . . . ready to offer our hand in friendship as a partner in prosperity.

At Cancun we will promote a revolutionary idea born more than 200 years ago, carried to our shores in the hearts of millions of immigrants and refugees and defended by all who risked their lives so you and I and our children could still believe in a brighter tomorrow.

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It's called freedom, and it works. It's still the most exciting, progressive and successful idea the world has ever known.

In closing, I want to tell you about something a friend of yours and mine said in a speech in Washington not too long ago. Being a man of vision, with a great admiration for America, he explained that he had come on a mission -- a mission to secure economic progress for his people. He told his audience:

"I am dreaming. Really I am dreaming of a drive like the drive of your grandfathers, the drive to the West.

"Water we have, land we have, climate we have, farming we have.

"(But) We need technology, we need know-how, new ways of irrigation, new ways in agriculture. All this one can find here (in America)."

And then he pleaded: "Come and be my partners . . . be pioneers like your grandfathers who opened the West and built in 200 years the most powerful country, the richest country, the great United States of America."

Those words were spoken at the United States Chamber of Commerce in March, 1979, by Anwar Sadat. This courageous man of peace and hope and love has now been taken from us. But his mission and his dream remain. As we proceed to Cancun, can we not join together so that the good he wanted for all people of the world will finally become theirs and his to share?